F Post 11-3-72

Washington Merry-Go-Round

By JACK ANDERSON

WASHINGTON — There was a startling sequel to our publication last February of the Dita Beard memo, which linked the settlement of ITT's antitrust cases with an offer to help subsidize the Republican convention.

The memo was read with considerable astonishment inside the Securities and Exchange Commission. The SEC had subpoenaed all documents relating to ITT's acquisition of Hartford Fire Insurance, the grand prize in the antitrust settlement. Yet nowhere in 34 cartons of files, which ITT had turned over to the SEC, could investigators find the Dita Beard memo.

Angrily, they accused ITT of holding out on them. The conglomerate, not wishing to antagonize the mighty SEC, hastily produced several additional confidential memos and letters. Sources who have had access to these documents say they contain incriminating details about White House intervention to get a favorable antitrust settlement for ITT.

The names of White House aides Charles Colson and Peter Flanigan appear in the documents, our sources say. There's reason, indeed, to believe the papers may include duplicates of documents which ITT shredded last spring to keep them from falling into our hands.

The same sources tell us, however, that the incriminating documents "were immediately locked up in Ron Hunt's safe." Hunt is secretary to the SEC.

When we asked SEC Chairman William J. Casey about this, he would say only: "I am not going to comment on the investigation." Hunt told us that "no documents have been kept in a safe under my control." We asked whether the documents had been locked up under someone else's control. "I am unaware of any such documents," he said cryptically.

Meanwhile, House Commerce Chairman Harley Staggers, D-W.Va., formally requested the ITT documents from the SEC. This put Casey on the spot, since he was appointed by the President but the SEC is an arm of Congress.

He put his loyalty to the President first and refused to deliver the documents to Congress. This angered Staggers who summoned Casey up to Capitol Hill. The SEC chairman, accompanied by Commissioner A. Sydney Herlong, Jr., spent an hour closeted with Staggers.

Sternly, Staggers reminded them that the SEC operates under the jurisdiction of Congress and that he had once cited former Federal Communications Chairman Rosel Hyde for contempt for holding back documents.

Staggers later told us Casey and Herlong had given him the impression they would comply with his request. Instead, they packed off the 34 boxes of ITT papers, including the hot documents in Hunt's safe, to the Justice Department. Not even copies were kept at the SEC.

Casey notified Staggers that the Justice Department had requested the documents. But Staggers disputed this. "We checked this out with the Justice Department," he told us. "They said they had not asked for the ITT documents but that Casey had informed them he was shipping them over."

This was equivalent to giving the fox the keys to the chicken coop. For top officials of the Justice Department are deeply implicated in the ITT scandal. Staggers has now asked Justice for access to the ITT documents, but he told us ruefully: "I understand the 34 boxes are kept under lock and key where no one can see them."

However, at least one document found its way to us before it could reach the ITT shredders. In this amazing memo, ITT directs its salesmen to mislead customers about the seriousness of another investigation.

The National Association of Securities Dealers suspended and fined Hamilton Management Corporation, an ITT mutual fund subsidiary with $700 million in assets, for cribbing official examinations and incorporating them into the company's training manual for prospective salesmen. This meant ITT-Hamilton's trainees would be fully briefed on the questions and answers before they took the NASD examinations.

Involved in the scandal were Thomas Pulliam, an assistant vice president and sales training director; also Floyd Marcoe, a regional vice president. But by the time NASD had learned about the crib sheets and had notified ITT of an investigation, Pulliam and Marcoe had left the company. Three other branch managers were suspended and, subsequently, were demoted to licensed salesmen.

Before the scandal broke in the newspapers, ITT sent out a confidential memo instructing its salesmen what to tell customers. The memo was signed by ITT-Hamilton President Frank Peirson; its authenticity has been acknowledged by ITT.

"It is likely," said the memo, "that mention of the violations will be made in your local papers and that certain of your clients may have questions about the matter.

"Advise them. . .that only a very small number of Hamilton's field personnel had been engated in improper activity." Pierson also ordered his salesmen to tell the public that "knowledge of this activity had carefully been withheld from all other persons associated with the Corporation."

This wasn't true, since an assistant vice president and a regional vice president were directly involved in the scheme. The memo also claimed none of those involved were still employes of ITT-Hamilton, although three of the five are still licensed salesmen.

When we reached Peirson at Hamilton corporate headquarters in Denver, he explained that the three salesmen "are not salaried, not really employes." Then he pleaded: "Look, we have 4,000 salesmen. We're talking about five people. Certainly that's a small percentage."